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UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION

(Paper Regulations Series 1, Revision 2)

(Definitions and conversion factors with respect to paper)

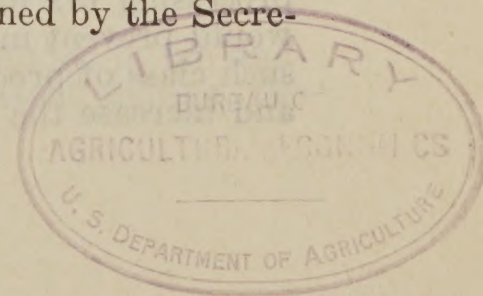
REVISION OF PAPER REGULATIONS MADE BY THE SECRETARY  
OF AGRICULTURE WITH THE APPROVAL OF THE PRESIDENT  
UNDER THE AGRICULTURAL ADJUSTMENT ACT

UNITED STATES DEPARTMENT OF AGRICULTURE,  
OFFICE OF THE SECRETARY.

By virtue of the authority vested in the Secretary of Agriculture by the Agricultural Adjustment Act, approved May 12, 1933, as amended, I, H. A. WALLACE, Secretary of Agriculture, do make, prescribe, publish, and give public notice of these regulations, constituting a revision of Paper Regulations Series 1, and superseding said Regulations (but not revising or superseding Paper Regulations Series 1, Revision 1) with the force and effect of law, to be in force and effect until amended or superseded by regulations hereafter made by the Secretary of Agriculture, with the approval of the President, under said Act.

The following Proclamation is hereby incorporated in these Regulations:

"Whereas, by subsection (d) of section 15 of the Act of Congress, approved May 12, 1933, as amended, known as the Agricultural Adjustment Act, it is provided that the Secretary of Agriculture shall 'ascertain from time to time whether the payment of the processing tax upon any basic agricultural commodity is causing or will cause to the processors thereof disadvantages in competition from competing commodities by reason of excessive shifts in consumption between such commodities or products thereof. If the Secretary of Agriculture finds, after investigation and due notice and opportunity for hearing to interested parties, that such disadvantages in competition exist, or will exist, he shall proclaim such finding. The Secretary shall specify in this proclamation the competing commodity and the compensating rate of tax on the processing thereof necessary to prevent such disadvantages in competition. Thereafter there shall be levied, assessed, and collected upon the first domestic processing of such competing commodity a tax, to be paid by the processor, at the rate specified, until such rate is altered pursuant to a further finding under this section, or the tax or rate thereof on the basic agricultural commodity is altered or terminated. In no case shall the tax imposed upon such competing commodity exceed that imposed per equivalent unit, as determined by the Secretary, upon the basic agricultural commodity.' And





"Whereas, by subsection (c) of section 10 of said Act, the Secretary of Agriculture is authorized, 'with the approval of the President, to make such regulations with the force and effect of law as may be necessary to carry out the powers vested in him by this title, including regulations establishing conversion factors for any commodity and article processed therefrom to determine the amount of tax imposed or refunds to be made with respect thereto. Any violation of any regulation shall be subject to such penalty, not in excess of \$100, as may be provided therein.' And

"Whereas, on December 1, 1933, the Secretary of Agriculture of the United States of America, acting under and pursuant to, and by virtue of, the authority contained in said Act, made the following Proclamation:

"I, H. A. WALLACE, Secretary of Agriculture of the United States of America, acting under and pursuant to an Act of Congress, known as the Agricultural Adjustment Act, approved May 12, 1933, as amended, after investigation and due notice and opportunity for hearing to interested parties, and due consideration having been given to all of the facts, hereby find, and do hereby proclaim, that the payment of the processing tax upon cotton is causing, and will cause, to the processors thereof disadvantages in competition from paper, by reason of excessive shifts in consumption between such commodities or products thereof. I do accordingly hereby specify that the compensating rate of tax on the processing of paper, necessary to prevent such disadvantages in competition, is 2.04 cents per pound weight of paper, on the first domestic processing of paper into multi-wall paper bags; 3.36 cents per pound weight of paper, on the first domestic processing of coated paper into coated paper bags; 2.14 cents per pound weight of open-mesh paper fabric, on the first domestic processing of open-mesh paper fabric into open-mesh paper bags; 0.715 cent per pound weight of paper, on the first domestic processing of paper into paper towels; 4.06 cents per pound weight of paper, on the first domestic processing of paper into gummed paper tape. Hereafter there shall be levied, assessed, and collected, upon the first domestic processing of paper into multi-wall paper bags, coated paper into coated paper bags, open-mesh paper fabric into open-mesh paper bags, paper into paper towels, or paper into gummed paper tape, as aforesaid, a tax, to be paid by the processor thereof, at the rates hereinabove specified, until such rates are altered pursuant to a further finding under section 15 (d) of said Act, or the tax or the rate thereof on cotton is altered or terminated.' And

"Whereas, on December 1, 1933, the Secretary of Agriculture made Paper Regulations Series 1, which were approved by the President on December 5, 1933. And

"Whereas, acting under section 15 (a) of said Act, I have certified to the Secretary of the Treasury that 'large cotton bags, a class of products of cotton, are of such low value compared with the quantity of cotton used in the manufacture thereof that the imposition of the processing tax on cotton used in the manufacture of such products would prevent in large part the use of cotton in the manufacture of such class of products and thereby substantially reduce consumption and increase the surplus of cotton.' And



"Whereas, after investigation and due notice and opportunity for hearing to interested parties, and after due consideration of all the facts, I find that further findings of fact with respect to the disadvantages in competition found and proclaimed in the proclamation of December 1, 1933, and with respect to the competitive situation between cotton and its products on the one hand, and paper and its products, on the other hand, as affected by the payment of the processing tax on cotton, and as affected by the payment of the processing tax on paper, must be made. And

"Whereas, after investigation and due notice and opportunity for hearing to interested parties, and due consideration having been given to all the facts, I find that an alteration of the compensating rate of tax on the processing of paper necessary to prevent the disadvantages in competition found and proclaimed on December 1, 1933, must be specified. And

"Whereas, I find, after such investigation and after such hearing of interested parties, that the competitive situation between cotton and its products, on the one hand, and paper and its products, on the other hand, is such that, unless there exists a compensatory rate of tax on the first domestic processing in certain forms of paper, the payment of the processing tax on cotton will cause to the processors thereof disadvantages in competition from paper by reason of excessive shifts in consumption from cotton and its products to:

"(a) Paper when processed into paper towels,

"(b) Paper (open-mesh paper fabric) when processed into open-mesh paper bags as hereinafter defined,

"(c) Paper when processed into all paper bags, of a sacking capacity of four and one-half pounds and over, and less than seventy-five pounds (including coated paper bags and multi-wall paper bags, but not including open-mesh paper bags), printed, labelled, or otherwise identified as bags designed and in form for use in the packaging of grain flours, corn meal, sugar, salt, fertilizers, feeds, or potatoes. And

"Whereas, I find, after such investigation and after such hearing of interested parties, that the payment of the processing tax on cotton is causing and will cause to the processors thereof disadvantages in competition from paper by reason of excessive shifts in consumption between cotton and paper when processed into other bags, in addition to coated paper bags, and in addition to multi-wall paper bags, printed, labelled, or otherwise identified, as bags designed and in form for use in the packaging of grain flours, corn meal, sugar, salt, fertilizers, feeds, or potatoes; the processing of paper into such other bags not having been within the terms of the Proclamation of December 1, 1933, and the present finding being, therefore, effective as of the date of the present Proclamation. And

"Whereas, the Proclamation of December 1, 1933, finds such disadvantages in competition existed and would exist with respect to paper (coated paper) when processed into coated paper bags, and paper when processed into multi-wall paper bags (both as defined in Paper Regulations Series 1). And

"Whereas, with respect to all paper bags not included in the finding of December 1, 1933, but included in the present finding, the



present finding is effective only as of the date of this Proclamation. And

"Whereas, I find, in view of the physical characteristics of paper, as a commodity in competition with cotton, as contrasted with the physical characteristics of cotton, that a compensating rate of tax on the processing of paper necessary to prevent the disadvantages in competition found and proclaimed on December 1, 1933, and found and proclaimed in this Proclamation, with respect to the processing of paper into bags (other than open-mesh paper bags) should hereafter be computed and measured by the product of the first domestic processing, rather than by the weight of material entering processing. And

"Whereas, I find that, with respect to the processing of paper into all paper bags (other than open-mesh paper bags) the compensating rate of tax, and the rate of tax necessary to prevent the disadvantages in competition in said Proclamation found, and the disadvantages found in the present Proclamation, should hereafter be specified as a compensating rate of tax on the processing of paper into paper bags of a sacking capacity of four and one-half pounds and over, and less than seventy-five pounds, printed, labelled, or otherwise identified, as bags designed and in form for use in the packaging of grain flours, corn meal, sugar, salt, fertilizers, feeds, or potatoes.

"Now, therefore, be it known that I, H. A. WALLACE, Secretary of Agriculture of the United States of America, acting under and pursuant to, and by virtue of, the authority vested in me by an Act of Congress known as the Agricultural Adjustment Act, approved May 12, 1933, as amended, after due consideration of all the facts do hereby proclaim all my findings as above set out, which are further findings under section 15 (d) of said Act, and do hereby specify that hereafter the compensating rate of tax on the processing of paper necessary to prevent such disadvantages in competition is:

"(a) With respect to the processing of paper into paper towels, 0.346 cent per pound weight of paper on the first domestic processing of paper into paper towels.

"(b) With respect to the processing of paper into all paper bags, including coated paper bags and multi-wall paper bags, but not open-mesh paper bags, on the first domestic processing of paper into paper bags printed, labelled, or otherwise identified as bags designed and in form for use in the packaging of grain flours, corn meal, sugar, salt, fertilizers, feeds, or potatoes, of a sacking capacity of four and one-half pounds and over, and less than seventy-five pounds:

"4.5 to 5.4 pound size bags, inclusive, \$1.24 per thousand bags produced,

"5.5 to 7.9 pound size bags, inclusive, \$1.47 per thousand bags produced,

"8 to 10.9 pound size bags, inclusive, \$2.02 per thousand bags produced,

"11 to 12.9 pound size bags, inclusive, \$2.25 per thousand bags produced,

"13 to 16.9 pound size bags, inclusive, \$3.11 per thousand bags produced,

"17 to 29.9 pound size bags, inclusive, \$3.96 per thousand bags produced,



"30 to 74.9 pound size bags, inclusive, \$7.91 per thousand bags produced.

"(c) With respect to the processing of paper (open-mesh paper fabric) into open-mesh paper bags, no further findings are made, and no alteration is specified of the compensating rate of tax specified in said Proclamation of December 1, 1933, except that such bags are hereby defined as follows:

"Open-mesh paper bags are bags made from open-mesh paper fabric, and having a cut area (area of fabric before sewing or folding) of less than 950 square inches per bag; or having a basis weight of less than 369 pounds of paper content per thousand bags; and bags having a basis weight greater than 369 pounds but less than 825 pounds of paper content per thousand bags provided that for each pound decrease in basis weight from 825 pounds per thousand bags the cut area per bag be not more than 1.15 square inches greater than 950 square inches.

"(d) With respect to the processing of paper into gummed paper tape, this Proclamation makes no further findings or specifications whatsoever, in view of the terms and nature of the Proclamation of the Acting Secretary of Agriculture, dated May 31, 1934.

"(e) Insofar as the compensating rate of tax above specified affects the processing of coated paper into coated paper bags, and paper into multi-wall paper bags weighing more than 200 pounds per thousand, and paper into paper towels, it is a specification, effective as of the date of this proclamation, of the altered rate of tax necessary to prevent the disadvantages in competition found; insofar as such specified rate affects the processing of paper into bags, as to which no findings and no specifications of rate were made in the Proclamation of December 1, 1933, it is a specification effective as of date of this Proclamation of the compensating rate of tax on the processing of paper necessary to prevent the disadvantages in competition found herein to be caused to processors of cotton by the payment of the processing tax on cotton as a result of excessive shifts in consumption from cotton to paper when processed into such bags.



"In testimony whereof, I have hereunto set my hand and caused the official seal of the Department of Agriculture to be affixed in the city of Washington this 12th day of June 1934, 12:01 a.m.

*H. Wallace*

*Secretary of Agriculture.*

## I. DEFINITIONS

The following terms as used in these regulations shall have the meanings hereby assigned to them:

**First domestic processing.**—The first domestic processing of paper is—

(a) The manufacture or fabrication of paper into paper towels, or gummed paper tape; or

(b) The manufacture of paper (open-mesh paper fabric) into open-mesh paper bags; or



(c) The manufacture of paper, including coated paper, into bags, of a sacking capacity of four and one-half pounds or over, and less than seventy-five pounds, printed, labelled, or otherwise identified, as bags designed and in form for use in the packaging of grain flours, corn meal, sugar, salt, fertilizers, feeds, or potatoes, and includes the printing, labelling, or otherwise identifying of such bags as containers for the named commodities.

**Paper.**—Paper is a compacted web of cellulose fibers, sized or unsized, filled or unfilled, coated or uncoated, gummed or ungummed, in the form of a sheet and made from an aqueous suspension, or in the form of a tube, or in the form of an open-mesh paper fabric.

**Weight of paper.**—Weight of paper includes the fiber, and any filler, sizing, coating, adhesive, gum, or other material, composing the finished sheet, web or fabric, as used in any processing herein defined.

**Sacking capacity.**—Sacking capacity means the normal content bags are designed to hold when packed and closed for distribution.

**Open-mesh paper fabric.**—Open-mesh paper fabric is fabric woven in open-mesh form from spun paper, or twisted paper, or paper yarn, or paper filament.

**Open-mesh paper bags.**—Open-mesh paper bags are bags made from open-mesh paper fabric and having a cut area (area of fabric before sewing or folding) of less than 950 square inches per bag; or having a basis weight of less than 369 pounds of paper content per thousand bags; and bags having a basis weight greater than 369 pounds but less than 825 pounds of paper content per thousand bags, provided that for each pound decrease in basis weight from 825 pounds per thousand bags the cut area per bag be not more than 1.15 square inches greater than 950 square inches.

**Paper towel.**—Paper towel is any paper toweling, but does not include tissues of the type commonly known as “cleansing tissues” or “facial tissues.”

**Paper bags.**—Paper bags are all paper bags, including coated paper bags, and multi-wall paper bags (but not including open-mesh paper bags), of a sacking capacity of four and one-half pounds and over, and less than seventy-five pounds, printed, labelled, or otherwise identified as bags designed and in form for use in the packaging of grain flours, corn meal, sugar, salt, fertilizers, feeds, or potatoes.

**Gummed paper tape.**—Gummed paper tape is paper tape, commonly known as parcel (or package) sealing tape, one surface of which is covered with gum or other adhesive material; made from paper of more than 25 pounds weight basis and not more than 80 pounds weight basis (24 inches×36 inches—480 sheets to the ream before gumming); having a tensile strength of more than 25 pounds pull to the finished width; processed for ultimate distribution in ribbon form, more than one-half inch but less than 2 inches in width, in rolls from 2 inches to 9 inches in diameter, including cores; with perforations or couponings, if any, not less than 12 inches apart. The reduction of any gummed paper or gummed paper tape, by mechanical means or otherwise, at the time of, or at any time prior to use, into gummed paper tape, as herein defined, shall be considered a part of the manufacture or fabrication of paper into gummed paper tape.



**Second-hand articles.**—Second-hand articles are paper bags, or open-mesh paper bags, which have been used one or more times for the purpose for which processed.

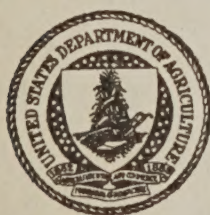
## II. CONVERSION FACTORS

I hereby establish the following conversion factors for articles processed from paper to determine the amount of tax imposed or refunds to be made with respect thereto:

The following table fixes the percentage of the per pound processing tax on paper (including open-mesh paper fabric), determined for the respective processings set forth hereinabove, with respect to each pound of paper towels, gummed paper tape, and open-mesh paper bags, and establishes the conversion factor with respect to each thousand paper bags, and with respect to second-hand articles:

Article	Conversion factor, percent
Paper Towels_____	102. 04
Gummed Paper Tape_____	103. 80
Open-mesh Paper Bags_____	100. 50
Paper Bags (per thousand)_____	100. 00
Second-hand Articles_____	0. 00

In the event that any taxpayer or person entitled to a refund establishes that a greater or lesser amount of paper was used in the production of paper towels, gummed paper tape, or open-mesh paper bags, respectively, included in the above list, processed from paper, on which a tax is imposed, or which may be the subject of a claim for refund, than the amount represented by the listed conversion factors, then the amount of the tax, or of the refund, shall be computed at the rate of the processing tax upon the basis of the amount of paper established to have been actually used in the production of the particular article.



*In testimony whereof*, I have hereunto set my hand and caused the official seal of the Department of Agriculture to be affixed in the City of Washington, this 12th day of June, 1934.

*Hawallace*

*Secretary of Agriculture.*

Approved:

*Franklin D. Roosevelt*

*The President of the United States,*  
*June 13, 1934.*



